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Annual Report of the Supervisor of Consumer Credit

For Year Ending December 31, 1986

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Office of the Minister

104 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-2305

The Honourable D. Carter
Office of the Speaker
Legislative Assembly of Alberta

Sir:

I have the honour to submit the Annual Report of the Supervisor of Consumer Credit for the year ending December 31, 1986, as required under the terms of The Credit and Loan Agreements Act.

Respectfully submitted,

ELAINE J. McCOY
Minister of Consumer and Corporate Affairs
M.L.A. for Calgary West

Alberta
CONSUMER AND
CORPORATE AFFAIRS
Program Development
Consumer Credit

19th Floor, 10025 Jasper Avenue, Edmonton, Alberta, Canada T5J 3Z5 403/427-5210

The Honourable Elaine J. McCoy
Minister of Consumer and Corporate Affairs

Madam:

I am pleased to submit herewith my Annual Report for the year ending December 31, 1986, pursuant to the provisions of The Credit and Loan Agreements Act.

Respectfully submitted,

D.A. Bence
Supervisor of Consumer Credit

ANNUAL REPORT
OF THE SUPERVISOR
OF CONSUMER CREDIT

The Credit Loan and Agreements Act is administered through the Consumer Credit Program and deals with the disclosure of relevant information in credit agreements. The intent of the Act is to ensure, as far as possible, that persons borrowing or receiving credit from credit grantors are fully informed of all the terms and conditions upon which the lending and granting of credit is made.

The Supervisor of Consumer Credit is authorized under Section 18 of the Credit and Loan Agreements Act to:

(a) Conduct studies, surveys and inquiries to determine

(i) the identity of all credit grantors in the Province, and

(ii) the business practices of such credit grantors,

(b) continually inform himself of changes and developments in the business and business practices of credit granting and discounting,

(c) recommend changes in business practices or forms to a credit grantor or discounter where the Supervisor considers that the changes are necessary to comply with this Act,

(d) consult and co-operate with credit grantors and discounters and other interested parties in order to facilitate the attainment of the objects of this Act.

The Act contains penalties for failure to comply with the provisions and authorizes the Supervisor to initiate investigations if complaints are received concerning credit granting practices. Any failure to comply which is accidental, a bona fide or clerical error, or is beyond the control of the credit grantor is not subject to prosecution. Efforts are made to mediate these types of problems to ensure that they do not recur and that the consumers affected are not unduly disadvantaged.

TRENDS IN CONSUMER CREDIT

The use of credit by consumers throughout Canada has continued to increase according to statistics published in the Bank of Canada Statistical Review. By mid 1986 the outstanding balance of consumer credit, excluding mortgages, throughout Canada reached over 61 billion dollars which represented a 12.5% increase over the same time in 1985 and is a 131% increase over the 26.7 billion dollars outstanding ten years ago at the end of 1976.

Consumers continue to be offered increased variety of methods of accessing credit, many of which are adaptations of programs which have, historically, been offered only to business borrowers. Lines of credit, demand loans and variable rate contracts have become more commonplace for consumer borrowers together with an increasing variety of specialized credit cards offering particular features aimed at segments of consumer market.

Increased advertising to promote credit purchases continues to be used by retailers eager to maintain their sales volume in an increasingly competitive marketplace. This resulted in an increase in investigations dealing with credit advertising during 1986.

TAX DISCOUNTING

1986 was the first taxation year in which tax discounters in the Province of Alberta had to operate under the new amendments to the Federal Tax Rebate Discounting Act which came into effect December of 1985. The number of registered discounters in the Province fell slightly from 56 to 54. Volume of activity for tax discounters is shown on a comparative basis in Appendix 1 which shows increased volume of discounting transactions and also shows the decreased percentage of return that was retained by discounters.

BUSINESS PRACTICES

Complaint investigations during 1986 increased by about 15% over 1985 levels. Collection practice areas continues to be the leading complaint generator. The largest increase was in the number of credit advertising investigations which were completed throughout the Province. These investigations centered around questionable practices of partial credit information disclosure allegedly designed to entice consumers into consumer transactions.

The Consumer Credit Program continued to work actively with individual companies and representative interest groups from the credit granting community in their effort to abide by the disclosure terms in this Province. Assistance was given to those businesses with legislative concerns which have arisen in the changing marketplace. Industry representatives continue to show active concern in their dealings with consumers and to maintain an attitude of good corporate citizenship.

Appendix 1

Activity of Alberta Tax Discounters

	1983	1984	1985	1986
Number of Returns Acquired	20,254	41,049	58,577	88,454
Total Amount of Refunds Acquired	$18,145,626.00	$34,281,318.30	$49,808,963.36	$74,396,185.79
Average Refund	$895.90	$817.21	$850.32	$841.07
Total Discount Retained	$2,582,875.00	$5,013,332.71	$7,324,432.80	$6,286,997.22
Average Discount Per Return	$127.52	$119.51	$125.04	$71.08
Percentage of Refund Retained	14.23%	14.62%	14.71%	8.45%

Apendix 2

Summary of Complaints Received by
Consumer Credit Programs in 1986

Complaint Investigations
(by type of business)

	TOTAL	% OF TOTAL
Collection Agency	118	37
Retail	113	36
Financial Institutions	23	7
Finance Company	7	2
Mail Order	5	2
Tax Discounter	32	10
Personal Services	2	1
Credit Reporting	6	2
Other	12	4
TOTAL	318	

Appendix 3

Complaint Investigations
(by type of Problem)

	TOTAL	% of TOTAL
Collection Practices	83	26.10
Cost of Credit	44	13.84
Advertising	61	19.18
Pay-Out Calculations	30	9.43
Contract Liability	16	5.03
Unethical Practices	11	3.46
Cancellation of Contract	6	1.89
All Others (includes licensing investigations)	67	21.07
TOTAL COMPLAINTS	318	